



Remittances Statistics: First Meeting of the Luxembourg Group

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Progress Report on CEMLA Remittances Compilation Manual for LAC Countries

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Melior victus per melior indicium
NF-LA. Nothing Flashy-Little Animation

Data Profile for LAC Countries

- See handout table
- Predominantly net remittance receivers
- Large values recorded for some
- Rapid growth in recent years
- Importance relative to GDP, FDI inflows, household income, etc.
- Enormous public attention of late

Source for all these observations is.....

Data Source for Remittances

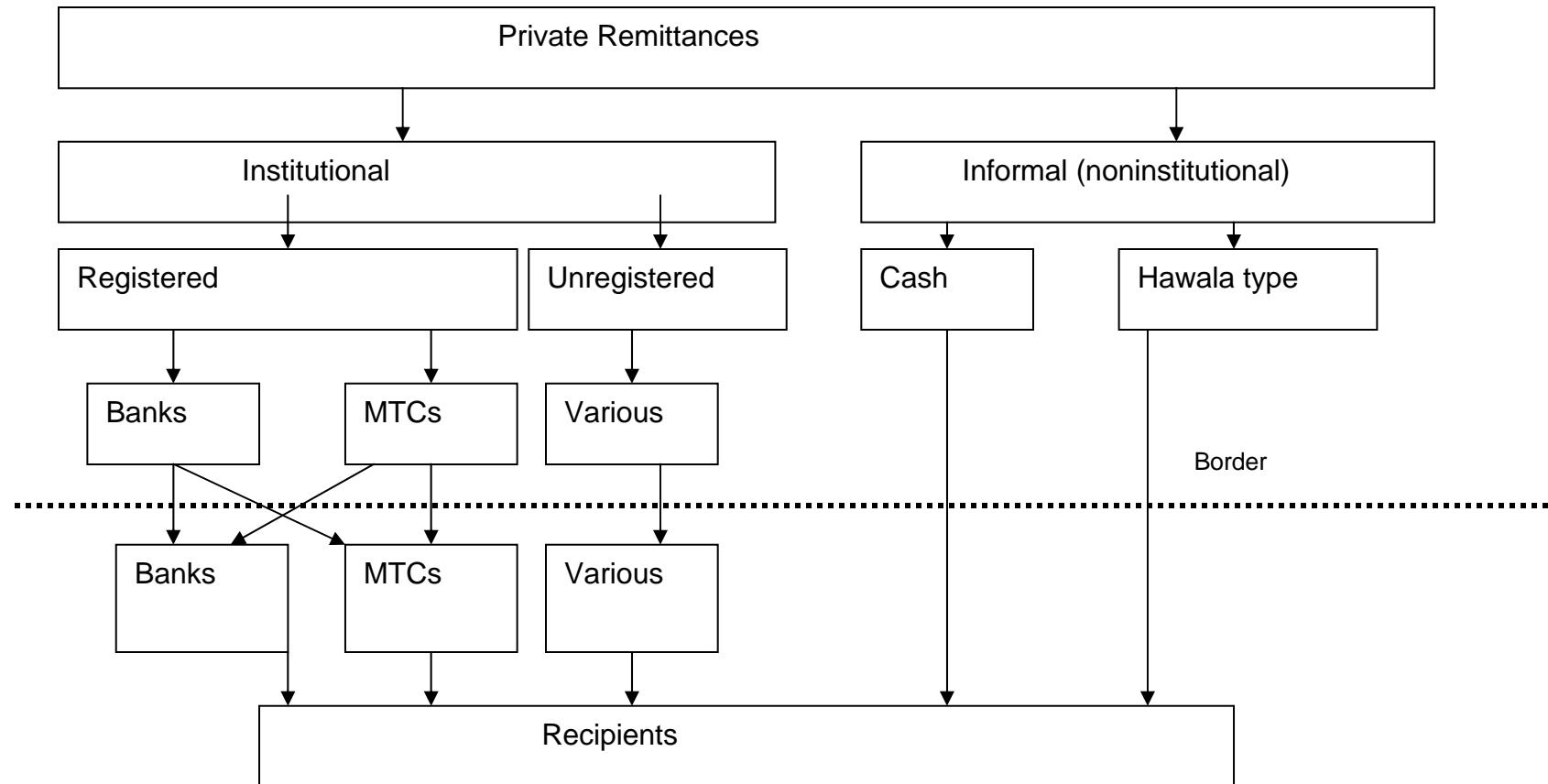
- IMF publications, *IFS* and *BOPSY*, which in turn depend on...
- National compilers at Central Banks
- There are no other sanctioned sources, and therefore
- Important to improve official data as much as possible.
- CEMLA participation on behalf of >20 LAC countries

Aspects of Personal Remittances

- Large numbers of transactions
- Tend to be small values (\$300-\$500 for LAC)
- Various channels: formal and informal
- Main participants: MTCs*/ and banks
 - LAC data suggest very large share for MTCs.
- Distinct patterns by country: mainly debits or mainly credits
- Definitional issues
 - Transition between BPMs 5 and 6
 - Mode 4
 - Easy confusion with payments or capital flows
- Problematic measurement

*/ Money Transfer Companies; other names apply.

Schematic of International Remittance Channels (Detail on “Agents” omitted)



Approaches to Remittances Measurement

- 1. Broad estimation: no fussy detail:
 - # migrants or potential remitters
 - ✗ “propensity to remit” ~ estimated flows
 - (Some developed countries, often on debits side)
 - Econometric modeling not possible
- 2. Attempt direct measurement:
 - Formal reporting system
 - Surveys as necessary
 - Minimize rough estimates

Draft CEMLA manual proposes latter approach.

Structure and Coverage of Draft Manual

- Introduction
- I. Current Statistics, Concepts and Definitions
- II. Legal and Regulatory Framework
- III. Channels and Modalities
- IV. Measurement: Institutional Alternatives
- V. Survey Possibilities (households)
- VI. Other Issues: Innovations and Estimations
- VII. Data Disclosure and Dissemination
- VIII. Responsibilities and Roles
- IX. Best Practices Implementation
- X. Summary and Conclusions

Drafts Submitted now; various meetings; revisions to follow
Manual concentrates on personal remittances credits.

Institutional Reporting: Considerations

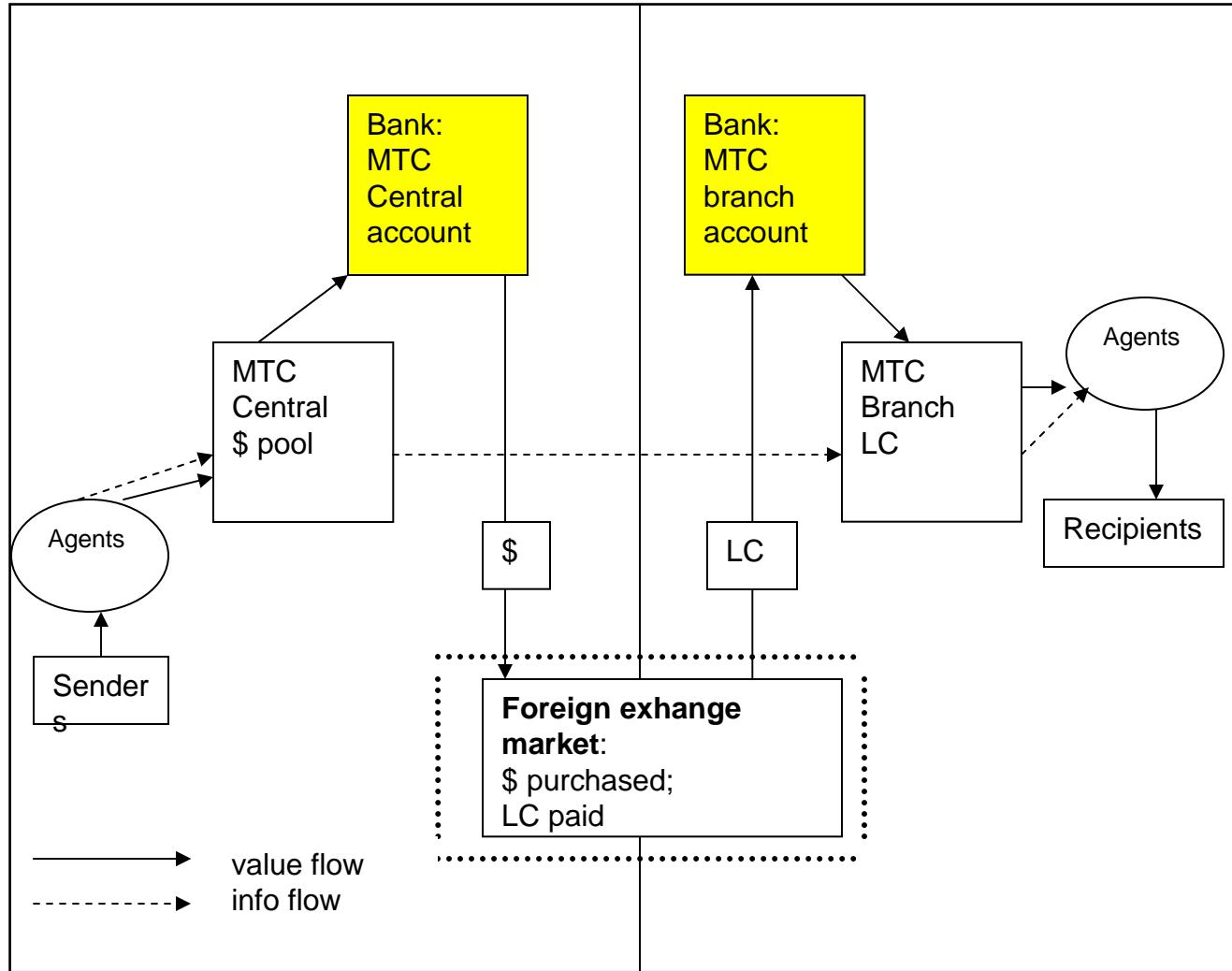
- Central bank and govt. authorities to require reports
 - Cost/benefit considerations for LAC countries
- Periodicity and parameters to be considered
- General criteria for “remittances”
 - Flow is cross-border (from individual)
 - Value of transactions
 - To Individual account or for individual recipient
- Specific reporters
 - Include or exclude “agent” reporting?
- Intra-government issues: Contending interests
- Feasible data streams? Dichotomy of money and information flows

Following the money? (debits and credits)

- Literature schematics: (CPSS/IBRD*/ ADB, WOCCU, others)
 - → “linear” money flow through system;
 - → information flow about transaction
 - Within MTC structure, “circumvents” financial accounts;
 - Sender to receiver, or MTC to MTC branch
- Actual “money flow” rather more complicated
 - Unexpected directionality and actors
 - Settlements on net basis
 - Confusing “debit and credit” patterns

*/ See Annexes 3 and 4 to *General Principles for International Remittance Services*, March, 2006

Sample Schematic for Remittance Flows: MTC Channel



Therefore, follow the information flow

■ Implications for compilation

- Reports from bank and MTC participants on own transactions
 - When banks are MTC agents (no)
 - When different foreign & domestic banks (yes)
- Assumptions on data availability; Computer and IT capacity; message contents
- Data processing and data access
- Filtering: Probabilistic identification of remittances
- Gaps in institutional knowledge, therefore.

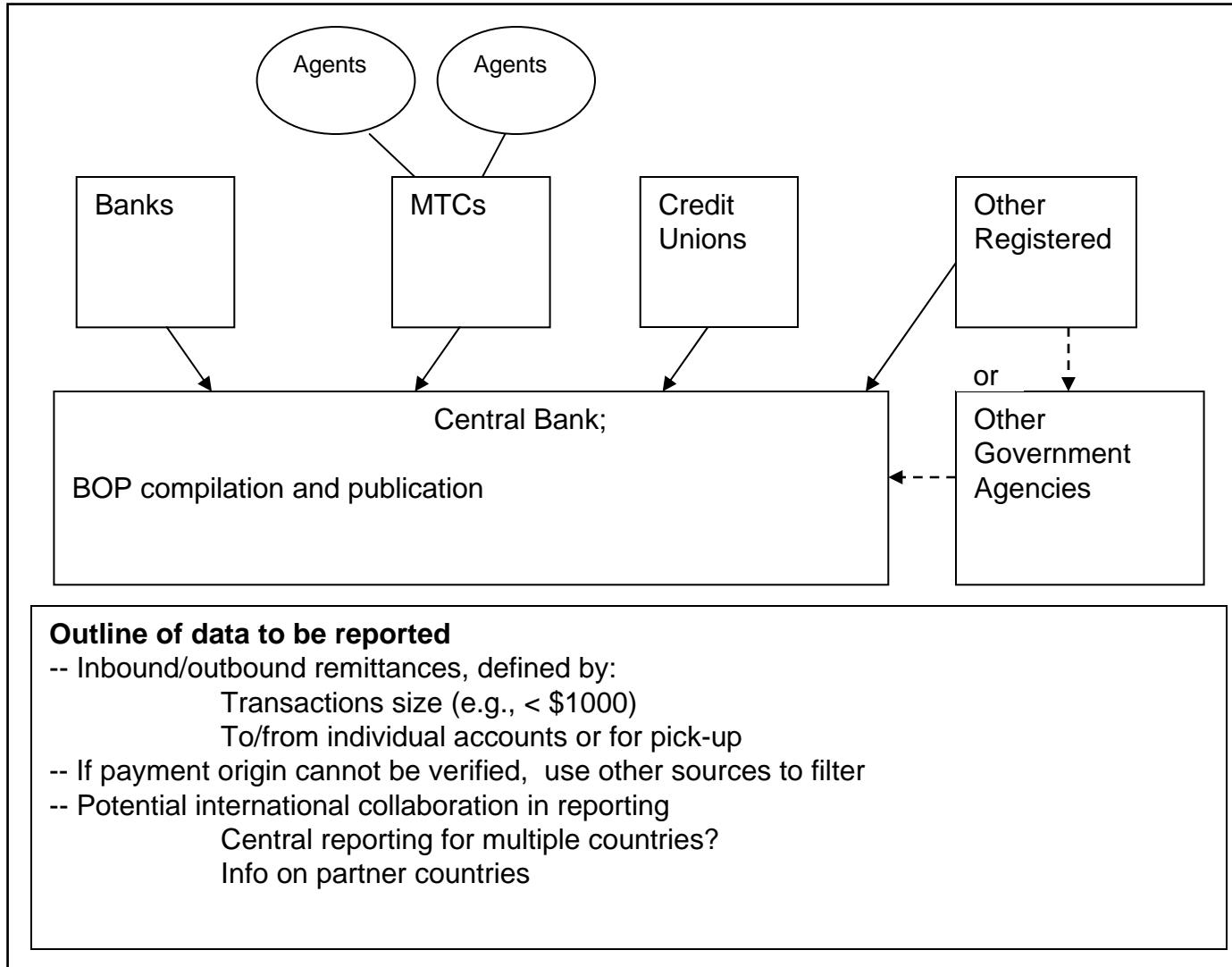
Household Remittance Surveys

- To profile and quantify flows via noninstitutional channels
 - Cash
 - Checks, drafts by mail
 - Other channels (hawala type *)
- Connect with existing HH surveys, or separate
 - Fill gaps in bank and MTC reports
 - Limited data requirements
 - In most cases, better for credits (cf. IADB surveys of Latino remittance debits from US)

*/ El Qorchi, Maimbo, Wilson, *Hawala Informal Remittance System*, IMF, 2003.

Potential Reporting Structure for Remittances in LAC Countries

(Input from HH surveys not shown)



Reporting Considerations

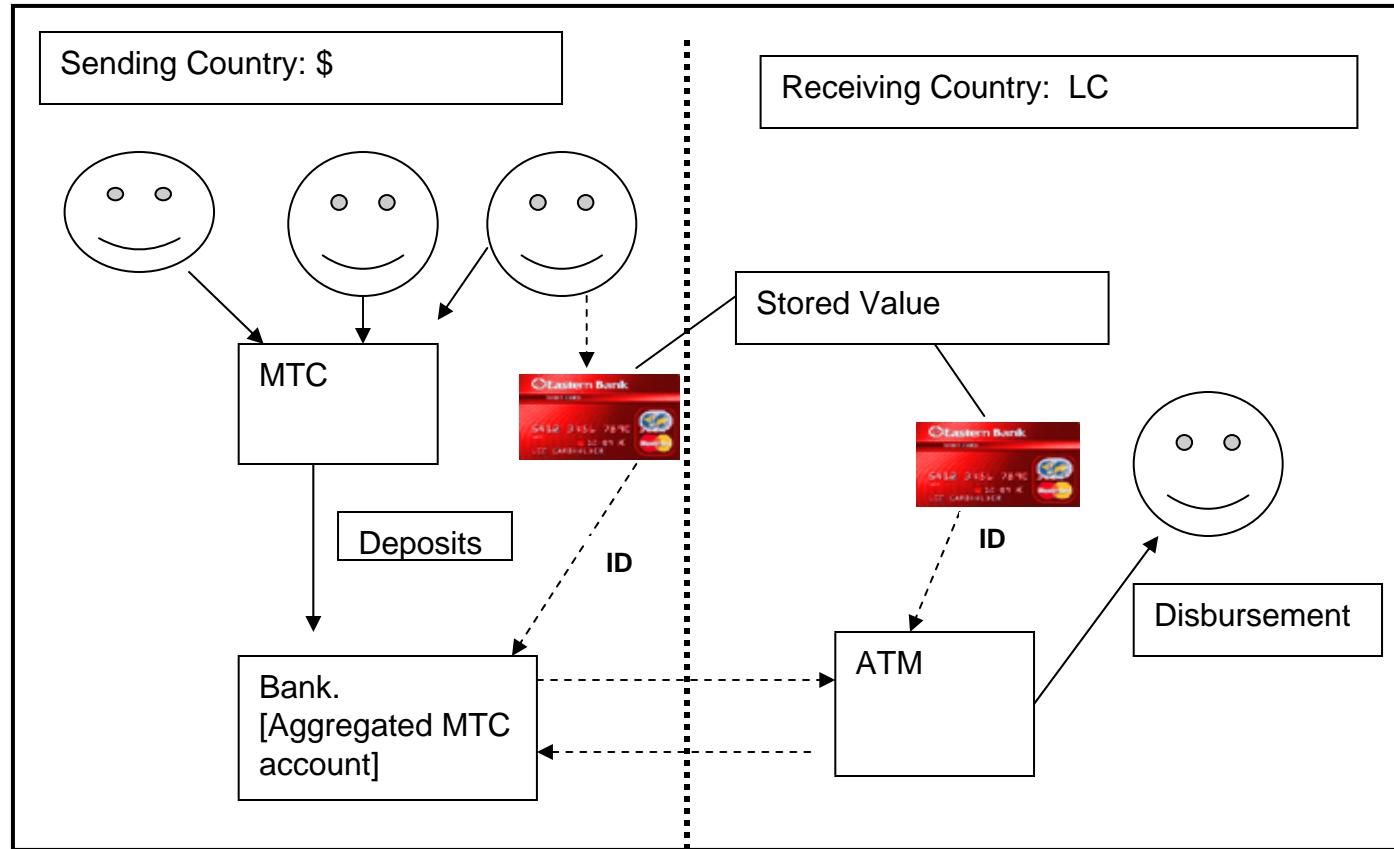
- General
 - Cross border payment
 - Individual recipient
 - Value filtering (absent full ITRS detail)
- Banks
 - All receipts to individual accounts?
 - Exclude agency disbursements (e.g., HSBC in Mexico)
- MTCs
 - Same MTC origin of transaction

Remittance Innovations: Card Channel

- **Stored Value Cards (SVCs). Debit card functionality**
- Recipient needs no bank account
- Sender's "SVC account" value is *ad hoc* "connected to card"
 But note FDIC insurance coverage in U.S.A.
- Several permutations
 - Bank sponsor (special "account")
 - MTC sponsor: aggregated accounts with banking system
- Compilation possibilities?
 - Assumptions about detail from ATM transactions
 - Considerable info embedded in electronic channels!
 - Same reporting as for traditional remittance flows
- Other electronic channels, e.g., PayPal coming along

- Standard cross border ATM withdrawals
 Feasible remittance channel, but how to classify?
 Presently *de minimus*

Innovations: SVC with MTC Sponsor



Some Prioritized Recommendations

- 1. Reporting responsibility for all institutional participants. Include banks and MTCs (exception for agents?) licensed to operate. Provision for appropriate enforcement mechanisms.
- 2. Ensure cooperation among government agencies to acquire timely and sufficient flow of data to the central bank.
- 3. Focus reports on entities' own remittance activities: MTCs and individual banks transacting remittances on their own account
- 4. Household surveys to for details about informal remittances not obtainable through institutional reports.
- 5. Common definitions to measure remittance flows. Align definitions with international practice in BOP measurement.
- 6. Coordinate discussions with multinational MTCs, so as to obtain joint reports on remittances to/from each of the LAC countries.
- 7. Implement similar designs, to help promote comparable transactions coverage, including bilateral detail on partner countries
- ...Others

Other possibilities

- With coordinated MTC reporting and common design:
 - ❑ Compilation efficiencies
 - ❑ Usable intra-LAC partner country data?
- Extra-LAC area data useful only if
 - ❑ Bilateral detail available
 - ❑ Confidence in compilation methodology

Next Steps

- Mexico City meeting, July 11-14, 2006
- Further consideration of proposed best practices and compilation strategies
- Revisions and distribution
- Missions/discussions with individual LAC countries on implementation....
- This may seem ambitious, but why not?

END

“A BOP compiler’s work is never finished, and seldom appreciated.”
--Socrates